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STATINTL

4 March 1976

NOTE FOR THE DIRECTOR

Attached is a minute done by [redacted] and [redacted] following your session with Jim Lynn yesterday. STATINTL

Arrangements have already been made for follow-on discussions between IC Staffers and OMB officers to continue the dialogue on some of the points raised by OMB at that session.

STATINTL I have asked [redacted] to do up a shorter version of this for your use in briefing at the next CFI meeting. It will be a version which you can circulate to the CFI members at that time if you like.

[redacted]
E. H. Knoche

Attachment: a/s

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MEMORANDUM FOR THE RECORD

SUBJECT: DCI-Director OMB Meeting, 3/3/76

1. The DCI, accompanied by [redacted] STATINTL met with Mr. Lynn in EOB, Room 252 (Mr. Lynn's office) from 1430 to 1545. Mr. Lynn was accompanied by Don Ogilvie, Dave Sitrin and Arnie Donahue, all of OMB.

2. There were six items discussed

a. Classified Budget Appendix. Mr. Lynn said he understood that the DCI had no objection to the publication of such a document and that DoD agrees in principle. Mr. Bush stated that the document should be classified Top Secret, Sensitive and distributed to current intelligence oversight committees. There was some discussion on why such a document was needed. It was agreed that the budget committees would probably ask for the document, but that the request should be considered if and when it was made. [redacted] advised that ICS, OMB and DoD staffers were to meet on Thursday to accommodate to DoD concerns on format to make the Appendix consistent with the budget justification books. In the course of discussion, Mr. Bush expressed concern about the number of budget committee staffers who wanted to receive a substantive intelligence briefing scheduled for 4 March 1976, in contrast to the self-imposed attendance limits used by the Armed Services Committee.

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b. Allowance Letter. Mr. Lynn said OMB wanted to issue an allowance letter to Mr. Bush as Chairman, CFI. This would, he felt, reinforce the CFI role in resource management. Mr. Bush agreed, but pointed out that the draft he had seen concentrated on FY 76 and 77 and provided very little in the way of out-year guidance. Mr. Lynn explained that the purpose of an allowance letter was to record the major aspects and Presidential decisions on the program currently being considered by Congress.

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He suggested that, if the DCI felt strongly about the guidance aspect, the letter could be revised. Mr. Bush and Mr. Lynn agreed that the letter, in its present form, would be useful and probably ought to be issued quickly in order to get it to the CFI as early as possible.

c. OMB Interface with CFI. Mr. Ogilvie briefly outlined a process for CFI resource deliberations which would meld with the DoD process, but which would permit a joint OMB-ICS review. As he described it, CFI would issue fiscal guidance early in the year; DoD guidance would follow shortly. Normal POM preparation would take place, but the Services would then submit the intelligence portion of the POM's to CFI. The CFI would then sign off on PDM's. The next step would be a joint OMB-ICS review which would result in PBD's drafted and submitted to CFI for decision. Mr. Ogilvie suggested that the alternative to such a procedure was a firm CFI commitment to submit a budget to OMB on 1 October. STATINTL [redacted] pointed out that, although the process outlined looked like the DoD procedure, it represented a significant change in the way DoD does business. Mr. Lynn stated that what was needed was a definition of the NFIP, a schedule and a decision document--all fairly soon. Mr. Bush said we were working on such a set of papers and were scheduled to discuss it at the next CFI. In the meanwhile he would be most happy to have the OMB views so they can be considered as part of that discussion. Mr. Bush also noted that, in an earlier meeting, the CFI had agreed not to invite OMB to sit in at its deliberations. The group agreed that this made sense; Mr. Lynn said we would get no fight from OMB on this point and that he was most interested in contributing to the effectiveness of the CFI and in insuring that the intelligence resource decision making mechanism worked well.

d. Reprogramming. Mr. Lynn said he had been questioned extensively on the subject of reprogramming controls by the Congress last year. Although the HAC proposed control levels, etc, Mr. Ogilvie pointed out that the conference report did not bring the House proposal forward, but rather obliged the Community to formulate rules acceptable to the Congress. STATINTL [redacted] said that the NRO and the CIA had worked out rules for reprogramming that were agreed to by the House staffers. STATINTL Mr. Bush felt that perhaps all that was needed was to write down the rules currently being followed. Mr. Ogilvie agreed with [redacted] comment that the reprogramming rules problem was not confined to intelligence but was at least DoD-wide and perhaps extended throughout the Executive. Mr. Ogilvie said

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there was no reason to assume the HAC reprogramming levels were necessarily the right ones and we may want to avoid imposing several different sets of reprogramming criteria on a program manager; all agreed to that.

STATINTL e. Apportionment. Mr. Lynn said that the apportionment process is really where the President can exercise control. He felt that a single annual apportionment for an entire agency is not satisfactory. [redacted] stated that with the program and budget formulation parts of the resource cycle being redefined and new rules for reprogramming being considered, it might be useful to wait a while before changing the apportionment procedure. Mr. Sitrin observed that apportionment and reprogramming were really a part of the same problem. Mr. Lynn suggested that an ad hoc group consisting of OMB together with representatives of the CFI members ought to look at the problem. Mr. Bush agreed.

f. Authorization. Mr. Lynn expressed concern over the Senate proposal to shift authorization of intelligence funds from Armed Services to a new oversight committee and also require annual authorization of all intelligence funds. Mr. Bush said he felt we ought to proceed very cautiously in any attempts to influence Senate rules. He also pointed out that our current oversight committee chairmen had not been heard from yet. Mr. Lynn said he was concerned that full authorization leads to disclosure. Mr. Bush appreciated that concern and said that although we had been following the possible changes in Congress and he has met with several members and Senators, perhaps the disclosure problem had not been emphasized as strongly as it should.

3. Mr. Lynn then mentioned that, although it was not an item scheduled for discussion, he felt that the best argument on protection of classified information and our sources and methods is to be able to state that we have a good classification system. He felt that we ought to be able to tell the public that we have a system, there is a high-level board--which is already set up and to which someone can go to ask whether something is or is not properly classified, that we undertake periodic reviews and then take whatever steps necessary to strengthen the system. He urged working toward greater public awareness. Mr. Bush responded that he wasn't sure the problem was with the public. The American people readily accept the fact that there are Government secrets to be safeguarded. The problem was with the press and in the Congress.

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4. As the meeting was breaking up, Mr. Bush mentioned that he was considering moving Community functions away from Langley. Mr. Lynn felt that was a good idea; that it would add to CFI effectiveness. He offered to help if he could.

5. On a final note, Mr. Lynn said he had two personal biases--which may or may not be right--but he wanted to express them:

--Some people like to climb Mt. McKinley because it's there. He is concerned about the problem of technology stimulating technology without reference to utility. His attitude, in such cases, is to ask to be shown why something is needed

--The real pay dirt in intelligence is in the area of analysis and production

6. The meeting concluded at approximately 1545.

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